Orders received increased in all business lines – Comparable EBITA increased

Interim Review,
January–September 2018

October 23, 2018

Pasi Laine, President and CEO
Kari Saarinen, CFO
Agenda
Interim Review, January–September 2018

1. Q3/2018 in brief
2. Development of the business lines
3. Moving the industry forward with Industrial Internet
4. Financial development
5. Guidance and short-term market outlook
6. Summary of Q3/2018
7. Appendix
Q3/2018 in brief

- Orders received increased to EUR 381 million in stable business\(^1\)
- Orders received increased to EUR 570 million in capital business\(^2\)
- Net sales increased to EUR 765 million
- Order backlog remained at the previous year’s level at EUR 2.8 billion
- Comparable EBITA increased to EUR 61 million and margin was 8.0%
- Gearing was -11%

2017 financials have been restated following the adoption of IFRS 15.
1) Stable business = Services business line and Automation business line. For Automation, this figure includes internal orders received from other business lines.
2) Capital business = Pulp and Energy business line and Paper business line
Orders received
EUR 940 million

Net sales
EUR 765 million

Comparable EBITA
EUR 61 million

Comparable EBITA margin
8.0%

Employees
12,481

Orders received by business line

- Services: 32%
- Automation: 29%
- Pulp and Energy: 7%
- Paper: 32%

Orders received by area

- North America: 43%
- South America: 12%
- EMEA: 22%
- China: 16%
- Asia-Pacific: 6%
Orders received increased to EUR 940 million in Q3/2018

- In stable business, orders received increased to EUR 381 million in Q3/2018
- In capital business, orders received increased to EUR 570 million in Q3/2018
- EMEA and North America accounted for 67% of orders received during first three quarters of the year
Stable business orders received totaled EUR 1,649 million during the last four quarters

Orders received (EUR million) in stable business\(^1\)

- In Q3/2018, total orders received in stable business increased

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\(^1\) Including internal orders received for the Automation business line.
Order backlog at EUR 2,791 million at the end of Q3/2018

• Order backlog was EUR 170 million higher than at the end of Q2/2018
• Approximately 30% of the order backlog relates to stable business

Order backlog (EUR million)

Structure of order backlog

- ~30% Stable business
- ~70% Capital business
Development of the business lines
Services: Orders received increased and net sales remained at the previous years’ level

Orders received (EUR million)

- Orders received increased compared with Q3/2017
  - Orders received increased in North America, China and EMEA, remained at the previous year’s level in Asia-Pacific and decreased in South America
  - Orders received increased in Rolls, Performance Parts, Fabrics, and Mill Improvements and decreased in Energy and Environmental
- Net sales remained at the previous year’s level
Automation¹: Orders received and net sales increased

Orders received² (EUR million)

Net sales² (EUR million)

- Orders received increased compared with Q3/2017
  - Orders received increased in China, Asia-Pacific and North America, remained at the previous year’s level in EMEA and decreased in South America
  - Orders received increased in Energy and Process and remained at the previous year’s level in Pulp and Paper
- Net sales increased compared with Q3/2017

¹) Comments refer to orders received and net sales including also internal orders received and net sales.
²) Q1/2015 orders received and the underlying figures for ‘Orders received, last 4 quarters’ and ‘Net sales, last 4 quarters’ are calculated based on Metso’s reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only.
Pulp and Energy: Orders received and net sales increased

Orders received (EUR million)

- Orders received increased compared with Q3/2017
  - Orders received increased in China, North America, Asia-Pacific and EMEA and decreased in South America
  - Orders received increased in Energy and decreased in Pulp
  - Approximately EUR 100 million of marine scrubber orders received in Q3/2018
- Net sales increased compared with Q3/2017
Orders received increased compared with Q3/2017
- Orders received increased in South America, Asia-Pacific and North America and decreased in China and EMEA
- Orders received increased in Tissue and decreased in Board and Paper

Net sales increased compared with Q3/2017
Moving the industry forward with Industrial Internet
Valmet transforms Industrial Internet and digitalization into peak performance and excellent customer experience

- Data visualization, reporting and guidance
- Asset reliability optimization
- Operations performance optimization
- Five global and two Area Performance Centers
  - Remote monitoring and optimization
  - On-demand expert support
  - Data discovery and analysis

- Our expertise and on-line services in one platform
- Four modules and more to come
  - Expert Fastlane
  - Opportunities
  - Learning
  - Operations Panel

- Leading industry players gathered together by Valmet
  - To create new value-adding applications and services to customers
  - Current partners in the ecosystem are Tieto, Kemira and Energy Opticon

Industrial Internet applications and services

Customer Portal

Solution Ecosystem

Intelligent machines and automation
Today, customers are extensively utilizing Valmet’s Industrial Internet capabilities.

Examples of results:
- Energy savings with remote paper machine optimization: 15%
- Savings per prevented unplanned shutdown by using diagnostic tools and remote support: 1 M€

Key statistics:
- 5 Customer industry specific Valmet Performance Centers
- 2 Regional Performance Centers operational in China and North America
- 350 Advanced process control installations
- 540 Online connections with customers
- 90 Performance agreements with remote connections
- 46 Customers from 13 countries served from Board & Paper Performance Center in the last 6 months
- Ongoing Co-creation of advanced analytics with customers
Financial development
### Key figures

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>940</td>
<td>743</td>
<td>27%</td>
<td>2,696</td>
<td>2,544</td>
<td>6%</td>
</tr>
<tr>
<td>Order backlog(^1)</td>
<td>2,791</td>
<td>2,720</td>
<td>3%</td>
<td>2,791</td>
<td>2,720</td>
<td>3%</td>
</tr>
<tr>
<td>Net sales</td>
<td>765</td>
<td>715</td>
<td>7%</td>
<td>2,340</td>
<td>2,091</td>
<td>12%</td>
</tr>
<tr>
<td>Comparable EBITA</td>
<td>61</td>
<td>56</td>
<td>10%</td>
<td>144</td>
<td>138</td>
<td>5%</td>
</tr>
<tr>
<td>% of net sales</td>
<td>8.0%</td>
<td>7.8%</td>
<td></td>
<td>6.2%</td>
<td>6.6%</td>
<td></td>
</tr>
<tr>
<td>EBITA</td>
<td>55</td>
<td>49</td>
<td>12%</td>
<td>131</td>
<td>133</td>
<td>-1%</td>
</tr>
<tr>
<td>Operating profit (EBIT)</td>
<td>48</td>
<td>41</td>
<td>16%</td>
<td>109</td>
<td>109</td>
<td>0%</td>
</tr>
<tr>
<td>% of net sales</td>
<td>6.3%</td>
<td>5.8%</td>
<td></td>
<td>4.7%</td>
<td>5.2%</td>
<td></td>
</tr>
<tr>
<td>Earnings per share, EUR</td>
<td>0.23</td>
<td>0.18</td>
<td>26%</td>
<td>0.52</td>
<td>0.48</td>
<td>8%</td>
</tr>
<tr>
<td>Return on capital employed (ROCE) before taxes(^2)</td>
<td></td>
<td></td>
<td></td>
<td>13%</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Cash flow provided by operating activities</td>
<td>119</td>
<td>78</td>
<td>52%</td>
<td>141</td>
<td>203</td>
<td>-31%</td>
</tr>
<tr>
<td>Gearing(^1)</td>
<td></td>
<td></td>
<td></td>
<td>-11%</td>
<td>-3%</td>
<td></td>
</tr>
</tbody>
</table>


1) At the end of period
2) Annualized. In the calculation of 2017 figures, non-restated data points from 2016 have been used.
Gross profit was 23% of net sales (23% in Q3/2017)
- Capital business had a higher share of net sales in Q3/2018

Selling, general & administrative (SG&A) expenses increased by EUR 4 million
- SG&A was 15% of net sales (16% in Q3/2017)
Comparable EBITA margin development

Net sales and Comparable EBITA (EUR million and %)

- Net sales and Comparable EBITA increased compared with Q3/2017
  - Profitability improved due to higher net sales
Cash flow provided by operating activities

Cash flow provided by operating activities (EUR million)

- Change in net working capital\(^1\) EUR 65 million in Q3/2018
- Cash flow provided by operating activities EUR 119 million in Q3/2018
- CAPEX EUR 21 million in Q3/2018

\(^1\) Change in net working capital in the consolidated statement of cash flows.
Net working capital at -12% of rolling 12 months orders received

Net working capital and orders received (EUR million)

- Net working capital EUR -427 million, which equals -12% of rolling 12 months orders received

Net working capital excluding non-cash net working capital impact from dividend liability.
Net debt and gearing decreased compared with Q3/2017

Net debt (EUR million) and gearing (%)

- Gearing (-11%) and net debt (EUR -98 million) decreased compared with both Q2/2018 and Q3/2017
- Equity to assets ratio increased compared with both Q2/2018 and Q3/2017

Automation acquisition was completed on April 1, 2015.
Capital employed and Comparable ROCE

Capital employed (EUR million) and Comparable return on capital employed (ROCE), before taxes\(^1\) (%)


- Target for Comparable return on capital employed (ROCE): 15–20%

1) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures. In the calculation of 2017 figures, data points from 2016 that have not been restated have been used.
Guidance and short-term market outlook
Guidance and short-term market outlook

Guidance for 2018 (as announced on July 17, 2018)

Valmet estimates that net sales in 2018 will increase in comparison with 2017 (EUR 3,058 million) and Comparable EBITA in 2018 will increase in comparison with 2017 (EUR 218 million).

Short-term market outlook

<table>
<thead>
<tr>
<th>Services</th>
<th>Q4/2017</th>
<th>Q1/2018</th>
<th>Q2/2018</th>
<th>Q3/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automation</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pulp and Energy</th>
<th>Q4/2017</th>
<th>Q1/2018</th>
<th>Q2/2018</th>
<th>Q3/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pulp</td>
<td>Weak</td>
<td>Weak</td>
<td>Weak</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Energy</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Board and Paper</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Tissue</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
</tbody>
</table>

The short-term market outlook is based on customer activity (50%) and Valmet’s capacity utilization (50%) and is given for the next six months from the end of the respective quarter. The scale is ‘weak–satisfactory–good’.
Summary of Q3/2018
Q3/2018 in brief

Orders received increased to EUR 381 million in stable business\(^1\)

Orders received increased to EUR 570 million in capital business\(^2\)

Net sales increased to EUR 765 million

Order backlog remained at the previous year’s level at EUR 2.8 billion

Comparable EBITA increased to EUR 61 million and margin was 8.0%

Gearing was -11%
Appendix
Structure of loans and borrowings

Interest-bearing debt EUR 201 million as at September 30, 2018

- Average maturity of long-term loans is 3.5 years
  - Average interest rate is 1.3%

Main financing sources and facilities

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans from banks and financial institutions</td>
<td>EUR 201 million</td>
</tr>
<tr>
<td>EUR 200 million committed syndicated revolving credit facility¹</td>
<td>None outstanding</td>
</tr>
<tr>
<td>EUR 200 million domestic commercial paper program</td>
<td>None outstanding</td>
</tr>
</tbody>
</table>

¹) EUR 200 million syndicated revolving credit facility agreement matures on January 14, 2023 with a 1-year extension option.
## Largest shareholders on September 30, 2018
Based on the information given by Euroclear Finland Ltd.

<table>
<thead>
<tr>
<th>Shareholder name</th>
<th>Number of shares</th>
<th>% of shares and votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Solidium Oy¹</td>
<td>16,695,287</td>
<td>11.14%</td>
</tr>
<tr>
<td>2 Varma Mutual Pension Insurance Company</td>
<td>4,165,465</td>
<td>2.78%</td>
</tr>
<tr>
<td>3 Elo Pension Company</td>
<td>3,600,000</td>
<td>2.40%</td>
</tr>
<tr>
<td>4 Ilmarinen Mutual Pension Insurance Company</td>
<td>3,416,000</td>
<td>2.28%</td>
</tr>
<tr>
<td>5 The State Pension Fund</td>
<td>1,545,000</td>
<td>1.03%</td>
</tr>
<tr>
<td>6 Keva</td>
<td>1,502,166</td>
<td>1.00%</td>
</tr>
<tr>
<td>7 OP Funds</td>
<td>1,282,552</td>
<td>0.86%</td>
</tr>
<tr>
<td>8 Evil Funds</td>
<td>1,116,000</td>
<td>0.74%</td>
</tr>
<tr>
<td>9 Mandatum Life Insurance Company Limited</td>
<td>1,022,537</td>
<td>0.68%</td>
</tr>
<tr>
<td>10 Danske Invest funds</td>
<td>809,442</td>
<td>0.54%</td>
</tr>
<tr>
<td>10 largest shareholders, total</td>
<td>35,154,449</td>
<td>23.45%</td>
</tr>
<tr>
<td>Other shareholders</td>
<td>114,710,170</td>
<td>76.54%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>149,864,619</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

1) A holding company that is wholly owned by the Finnish State
Shareholder structure on September 30, 2018

- Nominee registered and non-Finnish holders 51.3%
- Solidium Oy 11.1%
- Finnish private investors 13.1%
- Finnish institutions, companies and foundations 24.6%

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of shareholders</th>
<th>% of total shareholders</th>
<th>Number of shares</th>
<th>% of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominee registered and non-Finnish holders¹</td>
<td>339</td>
<td>0.8%</td>
<td>76,797,478</td>
<td>51.3%</td>
</tr>
<tr>
<td>Finnish institutions, companies and foundations</td>
<td>2,372</td>
<td>5.3%</td>
<td>36,784,491</td>
<td>24.6%</td>
</tr>
<tr>
<td>Solidium Oy²</td>
<td>0</td>
<td>0.0%</td>
<td>16,695,287</td>
<td>11.1%</td>
</tr>
<tr>
<td>Finnish private investors</td>
<td>42,203</td>
<td>94.0%</td>
<td>19,579,283</td>
<td>13.1%</td>
</tr>
<tr>
<td>On the issuer account</td>
<td>0</td>
<td>0.0%</td>
<td>8,080</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>44,914</td>
<td>100.0%</td>
<td>149,864,619</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The shareholder structure is based on the classification of sectors determined by Statistics Finland.

¹ Of which 74,932,071 nominee registered shares
² A holding company that is wholly owned by the Finnish State
Share of non-Finnish holders and number of shareholders

Non-Finnish holders (LHS)
Total number of shareholders (RHS)
Crude oil, steam coal, natural gas and electricity

Europe

Source: Bloomberg
Crude oil, steam coal, natural gas and electricity

United States

Source: Bloomberg
European Carbon Emission Allowance

Source: Bloomberg
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